



— State of —
North Dakota
Office of the Governor
John Hoeven
Governor

2004 State of the State Address
The Honorable John Hoeven
Governor of the State of North Dakota
Bismarck, North Dakota
January 14, 2003

Lt. Governor Dalrymple, thank you for your introduction. And thank you for all you do for North Dakota. You and Betsy are fantastic.

I would like to welcome our many guests today, including our distinguished state legislators and elected officials, members of the cabinet, Justices of the Supreme Court and, especially, the people we all serve, the citizens of North Dakota. Thank you for being here today.

Also, I would like to introduce my daughter Marcela and of course my wife, First Lady Mikey.

Before we begin, I would like to acknowledge some very special men and women. They have put their lives on the line in foreign lands to defend our country. They are modern day heroes -- the people who make possible the blessings of peace, prosperity and liberty. I am speaking of the brave men and women of the National Guard, the Reserves and the active duty armed forces fighting the war on terrorism. Here today representing all of them is a member of the North Dakota National Guard who was wounded in battle in Iraq, Sgt. Brandon Erickson. Brandon, would you please stand.

On behalf of all North Dakotans, I thank you, Brandon, and all of our men and women in uniform, and their families, for the tremendous sacrifices you are making for America and North Dakota. All of our soldiers and their families are in our hearts and in our prayers.

There is another individual I want to recognize today. He has served his community, his state, and his country with incredible distinction. Today, he is here to represent our veterans and all the sacrifices they have made on behalf of our country. He is Marine Colonel, Mayor, and Senator Evan Lips, and he is here with his wife, Marilyn. Would you both please stand and be recognized.

Today, I am pleased to report that the state of our state is strong.

North Dakota is moving forward and we are poised for a bright future, a future that we will build together.

Our state's economy has grown by almost a billion dollars over the last three years, surpassing the average rate of growth throughout our region.

A leading indicator of the health of our state's economy – general fund revenue collections - is growing, and ahead of projections by nearly \$15 million this biennium.

While neighboring states like Minnesota and South Dakota have lost tens of thousands of jobs, North Dakota is gaining jobs. In fact, our unemployment rate is one of the lowest in the country.

And after decades of losing ground, wages in North Dakota are growing at a rate faster than the national average and faster than the states around us. We are finally closing the wage gap between North Dakota workers and the rest of the country.

Ladies and gentlemen, we are making a difference. We are building our future, together!

I am also pleased to report that North Dakota is in strong financial shape. We were one of only three states in the nation that operated in the black last year. Despite a national recession that forced many states into deficits, we were able to balance the budget *without* a general tax increase and without cuts to essential services like education and senior care.

We were able to accomplish that goal due to good stewardship of your tax dollars. We have effectively cut the rate of growth in state spending in half, from over 4 percent a year to just over 2 percent a year. We've reduced the number of full-time authorized state employees by 7 percent. Not only do we have a balanced budget, we are also on track to have a budget surplus in this biennium.

That's getting the job done. That's building our future, together!

How has this happened?

For my administration's part, we have fundamentally changed the way North Dakota pursues economic development. We created the Department of Commerce and brought together the tools to help local communities start, expand, and attract new business. Our new way of doing business has forged partnerships between the public and private sectors, local and state developers, and government at all levels, including our university system. We have created a coordinated, team effort in economic development and, through our strategic plan, provided a clear focus on creating higher paying jobs in targeted industries like advanced manufacturing, value-added agriculture, technology- based businesses, energy, and tourism.

Working with the legislature, we have simplified our tax system. We have created new tax credits, venture capital funds, and workforce training programs to drive economic growth.

We have recruited Ambassadors from across the country to help us tell the story that North Dakota is a great place to live, work and do business. Now other states, like Minnesota, are following our lead by announcing their own Ambassador's recruitment program.

We have enlisted the power of our university system and merged it with economic development to create new, better paying jobs and career tracks. Our Centers of Excellence like the

Technology Park at NDSU and the Energy and Environmental Research Center and the Aerospace Center at UND are springboards for research, education, and product development. They have and will continue to produce dynamic new enterprises like Phoenix International, Alien Technologies, Aldevron and Meridian.

That's how we are building our future together, in North Dakota!

While diversifying and moving our economy forward, we cannot and have not forgotten our economic cornerstone...production agriculture. Our focus has been on value-added ag processing to give our producers new markets for their crops. Our efforts have yielded positive results in expansions like Minot Milling and start-ups like Remington Seed in Mapleton. Our new ethanol initiative has stimulated development of a new plant in Williston. We have led the charge to prevent disasters in our beef and sugar industries. We have also led the effort to get fair shipping rates from the railroad for our farmers. And, we worked tirelessly with the White House and the Congress to get the right farm bill, one based on counter-cyclical payments, and the strongest farm bill in the history of this country.

That's building our future, together!

Much of our energy this past year has been focused on energy development. The new wind farms at Edgeley and Kulm are the direct result of new state incentives that make North Dakota the best place in America for wind development. Our new Oil and Gas Research Fund promises to bring new development opportunities to the petroleum industry. Already, companies are coming back into the Williston Basin with more aggressive oil development. And due to our work with the Environmental Protection Agency, we are on the verge of building the first new coal-based power plant in over 30 years, bringing hundreds of new, good-paying jobs to rural North Dakota.

That's building our future, together!

But, my friends, our job is not yet done. We must work harder and smarter. We must take our efforts to the next level.

I challenge all of us today to share a vision; a vision of what North Dakota can be. And I challenge all of us to work together to make that vision a reality. The future I speak of has *Centers of Excellence* multiplying across all of our state's college campuses, creating new enterprises, opportunity, and good paying jobs. It is a vision where a technology corridor drives growth in the east, where an energy corridor drives growth in the west and where value-added agriculture, advanced manufacturing and tourism enterprises flourish throughout our state.

To make that vision a reality, today, I propose that we provide \$50 million for *Centers of Excellence*. This \$50 million Centers of Excellence Fund will be available to all our campuses to develop new Centers of Excellence that will accelerate the growth of our targeted industries in all regions of North Dakota. It will be used to foster entrepreneurship, commercialize new technologies, and create high paying jobs.

Further, our campuses will use these funds to leverage federal dollars, private sector support, and philanthropy, to generate another \$100 million. That's a total of \$150 million to develop *Centers of Excellence* that will not only stimulate academic excellence, but also unleash the creative

talent of our universities, and the entrepreneurial spirit of our people in tandem with industry to create higher paying jobs throughout our entire state.

At NDSU, we will expand on the success of our Technology Park, move forward with our Beef Center of Excellence, and develop new centers in biometrics and the life sciences.

At UND, we will build on the success of the Aerospace Center, the Energy and Environmental Research Center, and the Center for Innovation as well as new Centers in medicine and technology.

At Valley City and Mayville, we can develop *Centers of Excellence* in rural technology, distance learning and computer networking to take advantage of the leadership they have already shown in these areas.

All of these efforts will expand and accelerate the growth of the Technology Corridor we are already developing.

In Williston, why can't we develop a *Center of Excellence* in oil and gas training and technology to work in tandem with our newly created Oil and Gas Research Fund? There is a pressing need for trained workers in the oil patch and we must continue to be a leader in the use of new directional drilling and enhanced oil recovery techniques to provide energy for our nation while protecting our environment.

Bismarck State College is recognized as a national leader in power plant training. Let's expand that effort to help build our power plant industry, but let's also vigorously delve into development of renewables like wind energy, ethanol and bio-diesel.

All of these efforts, from traditional energy sources to renewables, will build our energy corridor and create good-paying jobs. Today, North Dakota is the sixth largest energy producing and exporting state in the nation, but why can't we be first?

At Dickinson State University, let's build on their expertise in livestock management to develop a bio-security *Center of Excellence* for Homeland Security. Working in conjunction with the irrigation research center already developing at Williston State College, we could help meet a national security need and stimulate additional value-added agriculture opportunities.

At the North Dakota State College of Science in Wahpeton, we can further leverage our work with companies like John Deere and Caterpillar to support advanced manufacturing in North Dakota.

Minot State University and Devils Lake can build on their expertise in areas like audiology and rural law enforcement. At the Bottineau campus, why not a *Center of Excellence* in tourism focused on our outstanding outdoor recreational opportunities?

These are just some ideas - and there will be more - as we put the creative talents of all our people to work. I'm asking North Dakotans from every part of our state to help us determine the role and mission of each *Center of Excellence*.

We can provide this \$50 million *Centers of Excellence* Fund, in part, from current revenues and, in part, from financing. Any future debt service would likely be about \$5 million per biennium, an amount easily affordable within our current level of expenditures for economic development. Further, the revenues generated from these job-creating enterprises will repay our investment many times over, and in many ways.

The question is not whether we can we afford this bold acceleration of economic development built on our *Centers of Excellence*. The real question is can we afford not to. We must harness the tremendous potential of our universities and step boldly into the future.

Keeping our best and brightest young people here is a priority and we will do that too. We will do it with our Centers of Excellence initiative and we will further strengthen the tie with our young people through another initiative called “Opportunities 2020.” We have more than 41,600 students in our university system – a record enrollment – and according to the July 2003 Board of Higher Education Report, we are now keeping about 60 percent of them in state after graduation. But we can do more.

Through our “Opportunities 2020” initiative, we will link college students to careers right here in North Dakota. These internships will give students real world experience while they attend college and a first chance at new career opportunities.

Leading that effort is a young North Dakotan working in my office. His name is James Burgum. He and a leadership team of young people will work with our university system, the Department of Commerce, the Department of Career and Technical Education and Job Service to link young people with jobs. James and the Governor’s Student Leadership Team are here today. Please stand and be recognized.

To fully take advantage of new and emerging technologies, we must also make our state a haven for high-tech companies. In a tax study already done by the Eide Bailly Accounting firm for the Department of Commerce, North Dakota’s tax system is among the most favorable in the country for four of our five targeted industries. The one exception is for technology companies where we are closer to the middle of the pack. My goal is to create the very best business climate possible for technology firms so that we can develop and attract to North Dakota the good paying jobs they provide. To do so, we must evaluate how we tax new high tech companies and provide tax credits for investment in technology. These tax credits combined with our highly educated workforce and healthy business climate will make our state a major new player in the high-tech world.

And finally, we must always work to improve our accountability and reporting standards for all economic development efforts in the state. We must measure our effectiveness and ensure that the taxpayers of North Dakota are getting real value for their investment in economic development. To do so, we will require that all state economic development programs submit to the Department of Commerce each January a report of assistance provided, actual jobs created, and average wages paid by those jobs. That will require new legislation to monitor various programs like PACE. We will propose and pass that legislation in the next session.

Truly, we can, and we will, build our future together, here in North Dakota.

To sustain and grow a world-class economy, North Dakota must maintain our world-class educational system. To do that, we need to retain the best and brightest teachers. Three years ago, I proposed the first major change to education funding in more than 30 years. Not only have we put almost \$75 million into new primary and secondary funding, but we have targeted the majority of those dollars to increase teacher compensation. These historic changes have increased average teacher compensation by \$4,500. We have also increased the minimum teacher salary and implemented major improvements in the equity of school funding.

But now is no time to rest on our laurels. We must continue to build upon our success. To that end, I am proposing that the state commit at least an additional \$75 million to primary and secondary education over the next four years. I also propose targeting at least 70 percent of those new resources to further improve teacher compensation. We must also continue to increase the minimum salary for our beginning teachers and increase payments to property poor school districts to provide equity in our educational funding.

We can give our kids the best education. And we will attract and retain the best and brightest teachers. That's building our future, together!

Even as we build North Dakota's economic future, we must also recognize the value of North Dakota's truly rich quality of life. We have worked hard to improve outdoor recreation, to keep our air clean, our children healthy, to keep crime off our streets and to care for our most vulnerable citizens, our seniors and disabled. We truly want North Dakota to be a great place to live, work and play. But as good as we have it, there is more we can do.

Caring for our seniors is perhaps the greatest responsibility we have. Those who walked before us have given so much and made possible the life we all enjoy. Most of our seniors want to stay in their homes as long as possible. They wish to remain where they raised their children and shared so many happy memories together. I believe we should make it possible for seniors to stay in their homes as long as they can. Other than illness, the greatest obstacle for most seniors trying to stay in their homes is the financial burden...especially from property taxes.

To provide property tax relief for our seniors, I will propose legislation expanding the number of seniors eligible for the Homestead Tax Credit and expanding the maximum credit each senior may receive. This will mean property tax relief for thousands of seniors in North Dakota every year.

Unfortunately, even in North Dakota, we can't always escape the scourge of crime. Recent events relating to the tragic disappearance of Dru Sjodin underscore the need to be ever vigilant. Mikey and I have a daughter close to Dru's age and we are deeply troubled by what happened to Dru, as are all North Dakotans and people throughout the entire country. We must do all we can to prevent another family from facing this horror. That's why I support open records in sex offender commitment hearings and will push for that legislation.

And that's why I have formed the Governor's Taskforce on Violent Crime. It is my intention to have this panel of experts review our laws, probation practices, monitoring, and civil commitment standards regarding violent crime to determine how we can improve our safety and the safety of our children.

We must have life sentences without parole for sexual predators. We need the strongest civil commitment laws in the nation. We need to increase supervision of paroled sex offenders, including the use of GPS electronic monitoring. And we need to apply these tough standards, not only to offenders convicted in North Dakota, but also to those who relocate to our state. I also support open records in sex offender commitment hearings and will push for new legislation to guarantee it.

We must also expand our war on meth. I have been a strong proponent for drug courts. We must further increase the availability of drug courts and related treatment programs. When it comes to meth addiction, we can't just incarcerate, we must help these people break the chains of their addiction. And we must start our campaign against meth earlier in life. Therefore, I am proposing that we implement an aggressive curriculum in our schools to teach our children the real story of meth and the devastating effect it has on people who use it. We must enlist the help of our teachers and our young people themselves, working with their peers, to fight the scourge of meth and illegal drug use.

We are a community in North Dakota. We care about each other and we will do all we can to keep North Dakota safe.

These are important times in our country and our state. I have outlined an aggressive agenda to continue to build our economy, create good paying jobs, keep our schools strong, cut taxes for our seniors and maintain the quality of life we all enjoy. I say, let's seize the day. Let's join forces and build our future together right here in North Dakota. Working together, we can do all of these things and more. It will take commitment and hard work - a belief in ourselves and a belief in our future - but we can do it!

Thank you. God bless you and God bless North Dakota.